



KATHLEEN CONNELL

Controller of the State of California

July 5, 1996

**To the Citizens, Governor and Members
of the Legislature of the State of California**

I am pleased to submit to you the General Fund Cash Basis Report for the fiscal year ended June 30, 1996. On a positive note, the General Fund deficit has been reduced for the second consecutive year. Under the cash basis of accounting, the deficit at the close of the 1995-96 fiscal year stands at \$1.454 billion.

The State's primary funding source for general government services, the General Fund began the fiscal year with a cash basis deficit of \$3.464 billion and external borrowings of \$4.0 billion. Total receipts exceeded total disbursements for the current fiscal year by \$2.010 billion. This allowed the State to close its fiscal year with no external borrowing and only \$1.454 billion in internal borrowing. Compared to the prior fiscal year, total receipts increased by \$2.183 billion, or 4.9 percent, and total disbursements increased by \$1.953 billion, or 4.6 percent.

The purpose of publishing this report is to make available authoritative information under the cash basis of accounting concerning the financial status of the General Fund as close to the end of the fiscal year as possible. However, this report does not portray a complete financial picture of the State's financial position. After completion of the audit of the State's finances by the State Auditor, I will issue a Budgetary/Legal Basis Report that contains an accounting of all fund activity in compliance with state law, state accounting procedures, and the state budget. In addition, the Comprehensive Annual Financial Report, prepared in conformance with generally accepted accounting principles, will also be issued at the same time.

Sincerely,

KATHLEEN CONNELL
State Controller